GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

STARRED QUESTION NO:295
ANSWERED ON:10.08.2001
RATE OF INTEREST ON EXPORT CREDIT
V. SAROJA

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

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(a) whether a proposal for reducing the rate of interest on export credit is under consideration in order to make Indian exports competitive in the world market; (

(b) if so, the details thereof; (

(c) the time by which final decision in this regard is likely to be taken; and (

(d) if not, the reasons, therefor?

Answer

MINISTER OF COMMERCE AND INDUSTRY (SHRI MURASOLI MARAN)

(a) to (d): In the Monetary and Credit Policy for the year 2001-02, announced by the RBI on 19th April,2001, the export credit interest rate policy has been modified. Accordingly, effective from 5th May,2001, it has been decided to specify only the ceiling rates for rupee export credit which will be linked to the Prime Lending Rate (PLR) of individual banks. The new rate for rupee export credit is capped at PLR minus 1.5%. Similarly, the export credit in foreign currency has been reduced from 1.5% point over LIBOR to `not exceeding 1% points over LIBOR`.

As export credit interest rates will vary from bank to bank depending on respective PLRs, it is expected that competition will result in both lowering and convergence of rates in future. The Reserve Bank of India reviews the interest rate structure from time to time on the basis of the macro-economic situation and the suggestions received from the trade and industry.